

Linked Deposit Program – Emergency Deposits
Procedures
March 5, 2007

Purpose:

These procedures establish general guidelines and request application for participation in emergency interim deposits of the linked deposit program. Nor the Treasurer, her staff, or the State of Alabama is a lender in linked deposit transactions. All lending decisions, including determining the creditworthiness of the Borrower, rests solely with the Lending Institution.

Definitions:

1. Borrower – the person, business, organization or local government who applies for a loan with a Lending Institution, and the loan is linked to a Deposit.
2. Deposit – bank deposits discretionarily made by the Treasurer in support of loans made by Lending Institutions to Borrowers which have suffered loss, and which are located in areas in which property loss has occurred, due to hurricane or tornado disaster and its aftermath.
3. Lending Institution – a bank or savings institution organized and existing under the laws of the State of Alabama, any other state of the United States, or the United States that is authorized pursuant to the laws of this state or the United States to conduct, and is conducting, the business of making loans and taking deposits in this state; and is an active member of the SAFE Program designated as a qualified public depository; and is an approved state depository.
4. Program – the linked deposit program described in Title 5, Chapter 21, Code of Alabama, 1975. For purposes of these procedures, Program shall define the emergency interim deposit operations only.
5. One-year Constant Maturity Treasury Rate (“CMT”) – this index is an average yield on United States Treasury securities adjusted to a constant maturity of 1 year, as made available by the Federal Reserve Board. Yields are interpolated by the United States Treasury from the daily yield curve.

Program Timeframe:

The Program shall be open until August 31, 2007; or until the allocated monies have been deposited in Lending Institutions, whichever occurs first.

Characteristics of Deposit:

1. Term: The term of the Deposit shall be one year.
2. Rate: The rate of the Deposit shall be two percent (2%) below the most recent weekly average CMT. The Lending Institution sets the interest rate charged to the Borrower, but the rate of the loan shall be two percent below the rate the Lending Institution would have charged the Borrower had the Program not been used.

3. Interest Calculation: Interest on the Deposit shall be calculated on a 30/360 day basis, and paid monthly. Interest will be collected through the ACH system on the last business day of the month. The Treasury shall debit a deposit account or general ledger account designated by the Lending Institution. If the Lending Institution holds time deposit open account funds, the deposit account/general ledger account must be the same. An ACH debit notice will be automatically generated for the Lending Institution.
4. Amount: The maximum amount of Deposit to any one Borrower is \$500,000. The minimum amount of Deposit to any one Borrower is \$10,000. Deposit amounts will be made in increments of \$1,000. The Treasurer may Deposit less than the requested amount depending on availability.
5. Collateralization: The Lending Institution shall secure the Deposit under the SAFE Program.
6. The Deposit is not renewable or transferable.
7. The Deposit will be returned to the State Treasurer at the earliest of: (1) the expiration of the deposit; or (2) repayment of the linked deposit loan.

Eligibility of Borrower:

1. Individual. An individual Borrower must be a resident of the State of Alabama.
2. Business. A business entity must:
 - a. Be headquartered in Alabama;
 - b. Maintains operations and transacts business in Alabama in areas in which loss has occurred due to hurricane/tornado damage;
 - c. Have no more than 150 full time/part time employees at the time it applies for the loan under the Program.

Loan Linked Deposit Requirements:

1. One Deposit per Borrower. A Borrower is only entitled to the benefit of one Deposit. A Borrower may not hold more than one loan for which a Deposit has been placed at any Lending Institution.
2. Additions. Additions of Deposit can only be made within five business days of the original Deposit. The original and additional Deposit will be considered one and the same with the same term and same rate. No other additions of Deposit will be made.
3. Transferability. If the Borrower chooses to move the loan for which a Deposit has been placed to another Lending Institution before expiration of the original term, the Deposit must be returned to the Treasury. The Deposit will not be transferred to another Lending Institution.
4. Existing Loans. If the Borrower has an existing loan with a Lending Institution that would qualify for the Program, a Deposit can be made available. The Lending Institution would follow its normal procedures to reduce the existing rate on the loan by 2%. The Deposit term will not exceed one year.
5. Variable Rate Loans. A Deposit will not be available to support a variable rate loan. The Deposit rate is fixed, and the linked loan must also be at a fixed rate.
6. Payment of Loan. Once the loan is paid off, the Deposit must be returned to the Treasurer. No Deposit may remain in place for a term longer than that of the linked loan.

7. Loan and Deposit Terms. The linked loan and Deposit may have different terms. The loan terms are negotiated between the Borrower and Lending Institution. The Deposit terms are set by the Treasurer and accepted by the Lending Institution. An example of differing terms would be interest payment frequency. The linked loan may have interest payable at maturity; whereas, the Deposit interest will be paid monthly.
8. Use. In order to receive a Deposit in the Program, the loan proceeds must be used to benefit the Borrower as a direct result of loss from hurricane/tornado disaster and its aftermath. Examples may include, but are not limited to, building construction or repairs, paying expenses, purchasing fixed assets and household goods.
9. Fees. No fee or service charge may be charged to the Borrower by the Lending Institution for placing the loan in the Program, other than fees charged in the normal course of business.

Request, Receipt and Return of Deposit:

1. A Borrower will request a loan from a Lending Institution through the Lending Institution's normal lending process. The Treasurer is not involved in the Borrower application and qualification process.
2. If the Lending Institution approves the loan request by the Borrower, the Lending Institution will determine if the loan meets the requirements of the Program.
3. The Lending Institution will complete and fax a request application to the Treasurer to request a Deposit.
4. The Treasurer will review. The Treasurer shall notify, by fax, the Lending Institution of the availability, rate, and term of Deposit within two business days. If the request is received before noon, most likely, notification will be same day. The Treasurer may Deposit less than the requested amount depending on availability.
5. If approved, the Treasurer will wire Deposit funds.
6. The Lending Institution will book the Deposit as a time deposit open account. Interest will be automatically withdrawn the last business day of the month from the established deposit account or general ledger account the Lending Institution utilizes for TDOA.
7. The Deposit will be returned to the Treasurer at the earliest of (1) repayment of the loan; or (2) expiration of the Deposit. The Deposit funds will be wired to the Treasurer.

Contact Information:

The Cash Management Division of the Treasurer's Office will be responsible for the Program. Following is the contact information:

Primary Contact: Ken Hoyle

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Secondary Contact: Tanya Cooley

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